

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7437**

**BILL NUMBER:** HB 1265

**DATE PREPARED:** Jan 4, 2001

**BILL AMENDED:**

**SUBJECT:** PERF Pension Benefits.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill: 1) decreases from 20 to 12 the number of calendar quarters used in determining the average annual compensation for the purpose of calculating pension benefits for Public Employees' Retirement Fund (PERF) members who retire after June 30, 2001;

2) increases from 1.1% to 1.2% the multiplier used in calculating pension benefits for PERF members who retire after June 30, 2001, with more than ten but less than 20 years of creditable service. It increases the multiplier from 1.1% to 1.3% for PERF members who retire after June 30, 2001, with at least 20 years of creditable service;

3) increases from 3% of a member's compensation to 5% of a member's compensation the amount of the contribution paid by the employer after June 30, 2001, on behalf of state employees who are PERF members.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** Table 1 shows the total impact of this proposal.

Table 1.	<u>State</u>	<u>Local Units</u>	<u>Total</u>
Estimated Increase in Unfunded Accrued Liability	\$382 M	\$417 M	\$799 M
Estimated Increase in Annual Funding	\$45 M	\$53 M	\$98 M
Increase in Annual Funding as a % of Payroll	3.7%	2.8%	3.1%

The following tables describe the fiscal impact to states and local units attributable to each of the components of this bill.

Table 2 shows the impact of decreasing from 20 to 12 the number of calendar quarters used in determining the average annual compensation for the purpose of calculating pension benefits for PERF members who retire after June 30, 2001.

Table 2.	<u>State</u>	<u>Local Units</u>	<u>Total</u>
Estimated Increase in Unfunded Accrued Liability	\$75 M	\$91 M	\$166 M
Estimated Increase in Annual Funding	\$9 M	\$12 M	\$21 M
Increase in Annual Funding as % of Payroll	0.7%	0.6%	0.7%

Table 3 describes the impact of increasing from 1.1% to 1.2% the multiplier used in calculating pension benefits for PERF members who retire after June 30, 2001, with more than ten but less than 20 years of creditable service and from increasing the multiplier from 1.1% to 1.3% for PERF members who retire after June 30, 2001, with at least 20 years of creditable service.

Table 3.	<u>State</u>	<u>Local Units</u>	<u>Total</u>
Estimated Increase in Unfunded Accrued Liability	\$264 M	\$313 M	\$577 M
Estimated Increase in Annual Funding	\$31 M	\$39 M	\$70 M
Increase in Annual Funding as % of Payroll	2.5 %	2.1%	2.2%

Table 4 shows the impact of increasing from 3% to 5% of a member's compensation the amount of the contribution paid by the employer after June 30, 2001, on behalf of state employees who are PERF members.

Table 4.	<u>State</u>
Estimated Increase in Unfunded Accrued Liability	\$28 M
Estimated Increase in Annual Funding	\$3.4 M
Increase in Annual Funding as % of Payroll	0.3%

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See tables above.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund.

**Local Agencies Affected:** Those units with members in the Public Employees' Retirement Fund.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for PERF, 576-1508.